

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF ASHLAND
EXPLORATION, INC.

) CASE NO.
) 91-396

O R D E R

IT IS ORDERED that Pike County Citizens United for Justice ("Citizens") shall file the original and 12 copies of its responses to the following questions with the Commission with a copy to all parties of record no later than December 22, 1992. Citizens shall furnish with each response the name of the witness who will be available at any public hearing, if necessary, to respond to questions concerning each item of information requested.

1. Does Citizens contend that a relationship exists between the rate of Ashland Exploration, Inc. ("Ashland") for wholesale customers and the rate it should charge to end-use customers? If yes, explain the relationship.

2. Does Citizens contend that there is or should be a relationship between Ashland's rates and those other gas pipeline companies charge KRS 278.485 customers? If yes, explain.

3. Does Citizens contend Ashland's proposed rate of \$5.25 represents the maximum rate Ashland can charge under Commission regulation or federal requirements?

4. In its September 28, 1992 Motion to Compel, at pages 6 and 7, Citizens states that "Ashland [Exploration] has violated KRS 278.485" by refusing to provide new domestic gas service to 18

persons during the past 12 months. Provide a complete explanation of the facts upon which this statement is based.

5. In prefiled testimony submitted August 14, 1992, Mark Pierce states at page 2 that a weighted average maximum lawful price methodology was used to derive Ashland's proposed \$5.25 rate and that use of this methodology by Ashland was previously approved by the Federal Energy Regulatory Commission ("FERC").

a. In the opinion of Citizens, what relevance, if any, should the FERC's previous approval of the weighted average maximum lawful price methodology have in the Kentucky Public Service Commission's present review of Ashland's proposed \$5.25 rate?

b. Does Citizens contend that the weighted average methodology currently used by Ashland is reasonable? If no, why?

c. Does Citizens contend that the weighted average methodology is a reasonable basis on which to establish rates for former OXY USA customers served by Ashland whose rates are not specified in right-of-way agreements? Does Citizens make the same contention as to Ashland's other customers?

6. In its September 18, 1992 response to the Commission's August 28, 1992 Order, Item 3(d), Ashland stated it understands that the Commission approves KRS 278.485 rates based on the current maximum lawful price. On August 4, 1992, Ashland filed the various categories and maximum lawful prices for which its wells qualify.

a. Does Citizens contend that Ashland's proposed rate is not fair, just, or reasonable despite 807 KAR 5:026, Section 9(2), which allows a "FERC approved rate"?

b. Does Citizens contend that the Commission should reject Ashland's proposed rates despite its policy of accepting maximum lawful prices for KRS 278.485 service? If yes, why?

The following questions relate to Citizens' information request submitted to Ashland on August 28, 1992.

7. In Request No. 4, Citizens sought information from Ashland relating to wells which provide gas to former OXY USA customers. The information sought included the cost of drilling each well; operating costs for each well; and additional capital invested in each well since it was initially drilled.

a. Does Citizens contend that Ashland should be allowed to recover in rates regarding service to former OXY US customers only those costs directly related to these specific wells? If yes, why?

b. Does Citizens contend that Ashland should be allowed to recover in its rates any other costs it incurs to provide service to former OXY USA customers? If no, why?

c. Does Citizens contend that Ashland should charge former OXY USA customers a rate different than that charged other Ashland customers provided service pursuant to a right-of-way or easement agreements? If yes, why?

d. Does Citizens contend that Ashland should charge former OXY USA customers a rate different than that charged Ashland customers who receive KRS 278.485 service? If yes, why?

8. In Request No. 6, Citizens sought information concerning Ashland's knowledge of service provided to certain customers in Pike County prior to the OXY USA acquisition.

a. Does Citizens contend that previous rates charged by other companies to these customers is relevant to Ashland's proposed \$5.25 rate?

b. Does Citizens contend that the apparent agreement reached between Cities Service and certain customers now served by Ashland is binding upon Ashland? Explain.

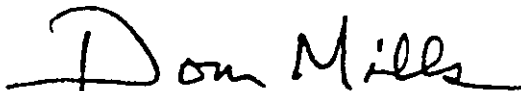
c. Does Citizens contend that the apparent agreement reached by Cities Service and certain customers now served by Ashland is binding on the Commission in reviewing and approving Ashland's rate to its current customers? Explain.

Done at Frankfort, Kentucky, this 10th day of December, 1992.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director